



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2017 Biennium

<b>Bill #</b>	SB0264	<b>Title:</b>	Revise distribution of sales and use tax
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<b>Primary Sponsor:</b>	Keenan, Bob	<b>Status:</b>	As Amended
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- |   |   |  |
|---|---|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input checked="" type="checkbox"/> Needs to be included in HB 2  | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$1,680,700	\$1,777,090	\$1,919,750	\$2,065,420
<b>Revenue:</b>				
General Fund	(\$1,680,700)	(\$1,777,090)	(\$1,919,750)	(\$2,065,420)
State Special Revenue	\$1,680,700	\$1,777,090	\$1,919,750	\$2,065,420
<b>Net Impact-General Fund Balance:</b>	<u>(\$1,680,700)</u>	<u>(\$1,777,090)</u>	<u>(\$1,919,750)</u>	<u>(\$2,065,420)</u>

**Description of fiscal impact:** SB 264, as amended, revises the distribution of the accommodation and rental vehicle sales and use tax revenue. Under the proposed law, 7% of the revenue generated by the two sales and use taxes would be distributed to seven state special revenue funds. The remaining 93% of the revenue would be deposited into the state's general fund. The proposed changes will reduce general fund revenue by \$1.68 million in FY 2016, and \$2.07 million by FY 2019.

### FISCAL ANALYSIS

#### Assumptions:

#### **Department of Revenue (DOR)**

- Under current law, Montana places a 3% sales and use tax on accommodations and campgrounds (15-68-102, MCA). The State of Montana also places a 4% sales and use tax on the base rental charge for rental vehicles (15-68-102, MCA). One hundred percent of the revenue for both taxes is deposited into the state general fund.

2. In FY 2014, the accommodations and campgrounds sales tax generated \$17,725,159 in revenue, which is an increase of more than \$1 million compared to the revenue generated in FY 2013. During the same fiscal year, the rental vehicle sales tax generated \$3,521,324 in revenue, which is a slight decrease from the previous fiscal year. When combined, the two sales and use taxes generated \$21,246,483 in revenue for FY 2014.
3. HJ 2 projects that the accommodations and campground sales tax revenue will increase to \$19.169 million in FY 2015, \$20.114 million in FY 2016 and \$21.316 million in FY 2017. Based on HJ 2, OBPP projects that the accommodations and campground sales tax revenue will increase to \$23.151 million in FY 2018 and \$25.018 million in FY 2019.
4. HJ 2 projects that the rental vehicle sales tax revenue will increase to \$3.749 million in FY 2015, \$3.896 million in FY 2016, and \$4.071 million in FY 2017. Based on HJ 2, OBPP projects that the rental vehicle sales tax revenue will increase to \$4.274 million in FY2018, and \$4.488 million in FY 2019.
5. Under current law, HJ 2 projects that the two sales and use taxes will generate \$24.010 million in revenue for the general fund in FY 2016 and \$25.387 million in FY 2017. OBPP projects that the two taxes will generate \$27.425 million in revenue for the state general fund in FY 2018, and \$29.506 million in FY 2019.
6. SB 264, as amended changes the revenue distribution of the two sales and use taxes. Under current law, 100% of the revenue is deposited into the state general fund. Under SB 264, 1% would be deposited into a Department of Fish, Wildlife, and Parks (FWP) state special revenue fund for the enhancement of state parks, 1% is deposited into a Department of Commerce (DOC) state special revenue fund for regional nonprofit tourism corporations, 1% is deposited into a Montana Historical Society state special revenue fund for historical preservation, 1% is deposited into a Montana Historical Society state special revenue fund for the rehabilitation of state-owned heritage property buildings and structures, 1% is deposited into a state special revenue fund for the Montana Arts Council, 1% is deposited into a Montana Heritage Preservation and Development Commission state special revenue fund, and 1% is deposited into a Department of Fish, Wildlife, and Parks state special revenue fund for heritage properties grants. When combined, the seven special revenue fund deposits account for 7% of the revenue generated by the two sales and use taxes. The remaining 93% is deposited into the state general fund.
7. The projected distribution of the revenue generated by the two sales and use taxes into the seven state special revenue funds and general fund under SB 264, as amended, are presented in the table below.

<b>SB 264 Rental Vehicle and Accommodation Sales and Use Tax Distribution</b>									
<b>Fiscal Year</b>	<b>Total Revenue</b>	<b>Fish, Wildlife, and Parks</b>	<b>Department of Commerce</b>	<b>Historical Society (Heritage)</b>	<b>Historical Society (Buildings)</b>	<b>Arts Council</b>	<b>Heritage Preservation</b>	<b>Fish, Wildlife, and Parks</b>	<b>General Fund</b>
		<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>93%</b>
<b>2016</b>	\$24,010,000	\$240,100	\$240,100	\$240,100	\$240,100	\$240,100	\$240,100	\$240,100	\$22,329,300
<b>2017</b>	\$25,387,000	\$253,870	\$253,870	\$253,870	\$253,870	\$253,870	\$253,870	\$253,870	\$23,609,910
<b>2018</b>	\$27,425,000	\$274,250	\$274,250	\$274,250	\$274,250	\$274,250	\$274,250	\$274,250	\$25,505,250
<b>2019</b>	\$29,506,000	\$295,060	\$295,060	\$295,060	\$295,060	\$295,060	\$295,060	\$295,060	\$27,440,580

8. The Department of Revenue does not expect to incur any additional costs as a result of SB 264.

#### **Department of Commerce (DOC)**

9. The DOC tourism regions and convention and visitors bureaus (CVBs) would receive 1.0% of the revenue generated by the two sales taxes, if they submit and gain approval of a marketing plan from the Tourism Advisory Council (TAC) as referenced in 2-15-1816(4)(a), MCA. This would be distributed among the six tourism regions and fifteen CVBs in proportion to the amount of each region's collections.
10. For the purposes of this fiscal note, the tourism regions and CVBs will add the additional funding into their overall budgets.

**Montana Heritage Commission**

11. The Montana Heritage Commission (MHC) would receive 1.0% of the revenue generated by the 3% lodging facility sales tax and 4% vehicle rental sales tax. This would generate approximately \$493,970 in the 2017 biennium.
12. MHC would add the additional funding into the overall budget for the preservation, protection, and enhancement of heritage commission properties and the artifacts it manages. The Montana Heritage Commission manages 273 historical registered buildings and 1,234,714 registered Americana artifacts.

**Fish, Wildlife and Parks (FWP)**

13. SB 264, as amended, allocates 1.0% of both sales taxes to FWP for the renovation, replacement, and enhancement of state parks. These revenues (\$493,970 in the 2017 biennium) would be deposited in an existing fund.
14. The amended bill allocates 1.0%, \$493,970 for the 2017 biennium, of both sales taxes to FWP for the Heritage Preservation grants program. These funds would be deposited in a new Heritage Preservation Grants fund and appropriated in HB 2. It is anticipated \$85,000 would be used for operating expenses to manage the grants program and the balance would be for grants.

**Historical Society (historic preservation)**

15. The allocation of 1.0% of the lodging and vehicle sales taxes to the Historical Society for the historic preservation would generate approximately \$493,970 in the 2017 biennium. The funding would be used for conservation of collections; archival storage for museum artifacts; digitizing collections; electronic records preservation; and interactive technology for exhibits.

**Historical Society (rehabilitation of state-owned heritage property buildings and structures)**

16. The amended bill allocates 1.0% of the two sales taxes to the Historical Society for rehabilitation of state-owned heritage property buildings and structures.

**Montana Arts Council**

17. The Montana Arts Council is allocated 1.0% of the lodging and vehicle sales taxes in SB 264, as amended, for a total of approximately \$493,970 in the 2017 biennium. These funds would support growth in arts marketing, services and experiences that leverage increased visitor spending and length of stay.

	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>FY 2018</u></b>	<b><u>FY 2019</u></b>
<b><u>Fiscal Impact:</u></b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>
<b><u>Expenditures:</u></b>				
Operating Expenses				
FWP (enhance state parks)	\$240,100	\$253,870	\$274,250	\$295,060
Commerce (regional nonprofit tourism corps)	\$240,100	\$253,870	\$274,250	\$295,060
Historical Society (historical preservation)	\$240,100	\$253,870	\$274,250	\$295,060
Historical Society (rehabilitation)	\$240,100	\$253,870	\$274,250	\$295,060
Arts Council	\$240,100	\$253,870	\$274,250	\$295,060
Heritage Preservation	\$240,100	\$253,870	\$274,250	\$295,060
FWP (heritage properties grants admin)	\$85,000	\$85,000	\$86,275	\$87,569
Grants FWP (heritage properties grants)	\$155,100	\$168,870	\$187,975	\$207,491
<b>TOTAL Expenditures</b>	<b>\$1,680,700</b>	<b>\$1,777,090</b>	<b>\$1,919,750</b>	<b>\$2,065,420</b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)				
FWP (enhance state parks)	\$240,100	\$253,870	\$274,250	\$295,060
Commerce (regional nonprofit tourism corps)	\$240,100	\$253,870	\$274,250	\$295,060
Historical Society (historical preservation)	\$240,100	\$253,870	\$274,250	\$295,060
Historical Society (rehabilitation)	\$240,100	\$253,870	\$274,250	\$295,060
Arts Council	\$240,100	\$253,870	\$274,250	\$295,060
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Grants FWP (heritage properties grants)	\$155,100	\$168,870	\$187,975	\$207,491
<b>TOTAL Funding of Exp.</b>	<b>\$1,680,700</b>	<b>\$1,777,090</b>	<b>\$1,919,750</b>	<b>\$2,065,420</b>
<b><u>Revenues:</u></b>				
General Fund (01)	(\$1,680,700)	(\$1,777,090)	(\$1,919,750)	(\$2,065,420)
State Special Revenue (02)				
FWP (enhance state parks)	\$240,100	\$253,870	\$274,250	\$295,060
Commerce (regional nonprofit tourism corps)	\$240,100	\$253,870	\$274,250	\$295,060
Historical Society (historical preservation)	\$240,100	\$253,870	\$274,250	\$295,060
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FWP (heritage properties grants admin)	\$85,000	\$85,000	\$86,275	\$87,569
Grants FWP (heritage properties grants)	\$155,100	\$168,870	\$187,975	\$207,491
<b>TOTAL Funding of Exp.</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$1,680,700)	(\$1,777,090)	(\$1,919,750)	(\$2,065,420)
State Special Revenue (02)	\$0	\$0	\$0	\$0

**Technical Notes:**

1. Line 23 on page one refers to section (2)(B)(II). However, the correct reference should be (1)(B)(ii).
2. Line 29 on page one refers to section (2)(B)(I). However, the correct reference should be (1)(B)(i).

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Sponsor's Initials\_\_\_\_\_  
Date\_\_\_\_\_  
Budget Director's Initials\_\_\_\_\_  
Date



## Dedication of Revenue 2017 Biennium

17-1-507-509, MCA.

- a) **Are there persons or entities that benefit from this dedicated revenue that do not pay? (please explain)**  
The revenue comes from the sales taxes on accommodations and rental cars. All persons who stay in motels/hotels/etc. and who rent cars pay this tax. There is no way of knowing which persons or entities in the cultural organizations pay this tax.
- b) **What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?**  
The funds are distributed to the programs/grants that benefit cultural tourism.
- c) **Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? Yes / No (if no, explain)**  
Yes
- d) **Does the need for this state special revenue provision still exist? XX Yes \_\_\_ No (Explain)**
- e) **Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)**  
No, the funds will be carefully utilized and monitored by the council. The funds will be audited by the Legislative Auditor, and reported the public, the tourism industry, and the legislature.
- f) **Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)**  
Yes, promotion of the arts has been funded by the state, since 1967.
- g) **How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)**  
No inefficiencies known.